

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

United Bancorp, Inc.

Point of Contact:	Randal J. Rabe	RSSD: (For Bank Holding Companies)	1135516
UST Sequence Number:	448	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	20,600,000	FDIC Certificate Number: (For Depository Institutions)	13177
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	January 16, 2009	City:	Ann Arbor
Date Repaid ¹ :	N/A	State:	Michigan

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

With the CPP capital, United was able to continue lending in its communities although there was reduced demand for the type of lending that the Company's bank holds in its portfolio. More detail regarding United's 2010 lending activities is provided below.

☐ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☒ Increase reserves for non-performing assets.

Difficult economic conditions and depressed collateral values continued in 2010. United increased its provision for loan loss from \$14.6 million in 2008 to \$25.8 and \$21.5 million in 2009 and 2010, respectively. It also increased its allowance for loan loss by \$5.1 million during 2010.

☐ Reduce borrowings.

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☒ **Increase charge-offs.**

Due to the difficult economic conditions in Michigan, United's net charge-offs increased from \$8.6 million in 2008 to \$24.1 and \$16.4 million in 2009 and 2010, respectively.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☒ **Held as non-leveraged increase to total capital.**

Out of the total CPP capital of \$20.6 million, \$15.6 million was invested into the subsidiary bank during 2009 and the remainder was invested into the bank during 2010.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

United Bancorp, Inc. is a \$862 million bank holding company that is the parent company for United Bank & Trust. The subsidiary bank operates sixteen banking offices in southeast Michigan, and maintains an active wealth management group that serves the company's market areas. United received \$20.6 million in capital from the United States Department of Treasury on January 16, 2009. In 2010, the Company recorded a net loss of \$3.7 million as difficult economic conditions in Michigan led to a continued high level of provision for loan loss. The CPP capital allowed the Company and its subsidiary bank to maintain capital levels that were above the regulatory minimum "well-capitalized" level during all of 2010. In spite of this additional capital, the Company's outstanding loan balances declined during 2010 by \$58 million. Approximately 30% of this decrease resulted from the charge-off of uncollectible loans. In addition, economic conditions have reduced demand for the type of lending that the Company's bank holds in its portfolio. By receiving the CPP capital, the Company and its bank were able to remain active lenders to personal and business clients in its communities and avoided having to substantially reduce its lending function. Because of the aforementioned economic conditions facing our personal and business borrowers, many of them were not able to continue to make payments of principal and interest according to the original loan terms. Because the CPP provided capital support to these loans, the Company was able to work with willing borrowers to restructure loans and to attempt to work through the payment problems through forbearance agreements. Without the CPP capital, the Company may have needed to more quickly push loans into foreclosure.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

As mentioned above, with the CPP Capital, United was able to continue lending in its communities. During 2010:1. United closed 1,479 mortgage loans for over \$270 million; 603 families obtained a new home while 876 families were able to refinance their home loans, often decreasing their monthly payments.2. United closed 873 consumer loans for \$30.2 million.3. United closed 176 business loans for \$42.8 million, primarily to small businesses in its communities.4. Through its SBA lending unit, United Structured Finance Company, United closed 29 SBA loans for \$14.7 million and was the leading SBA lender in its markets. It is also important to note what we haven't done with the CPP capital. We have not used it for executive bonuses, as no bonuses were paid for 2009 or 2010. Also, we did not use it for salary increases as we did not increase employee salaries in 2009 or 2010. In addition, we are not using it for dividends to our common shareholders as we suspended our cash dividend to common shareholders beginning with the second quarter of 2009.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.